

**TESTIMONY OF CHARLES C. MADDOX, ESQ.,
INSPECTOR GENERAL, BEFORE THE D.C. COUNCIL
COMMITTEE ON GOVERNMENT OPERATIONS**

FISCAL YEAR 2001 PERFORMANCE REVIEW

FEBRUARY 12, 2002

GOOD MORNING CHAIRPERSON ORANGE AND MEMBERS OF THE COMMITTEE. SEATED WITH ME ARE BILL DIVELLO, THE ASSISTANT IG FOR AUDITS; DAVID BOWIE, ASSISTANT IG FOR THE INVESTIGATIONS DIVISION; AL WRIGHT, ASSISTANT IG FOR THE INSPECTIONS AND EVALUATIONS DIVISION; AND SID ROCKE, DIRECTOR OF THE MEDICAID FRAUD CONTROL UNIT.

I WILL TESTIFY BEFORE THIS COMMITTEE TODAY ABOUT OUR PERFORMANCE REPORT FOR FISCAL YEAR (FY) 2001, WHICH COVERS OUR OFFICE'S STATISTICAL ACCOMPLISHMENTS IN FY 2001 AND THE FIRST QUARTER OF FY 2002.

EACH YEAR WE ATTEMPT TO ADJUST OUR PERFORMANCE MEASURES IN ORDER TO ENSURE THAT THEY REFLECT OUR PERFORMANCE IN THE CONTEXT OF OUR MISSION STATEMENT AS ACCURATELY AS POSSIBLE BY USING STATISTICS. AS YOU KNOW, OUR MISSION CONTAINS THREE PRONGS: (1) TO CONDUCT AUDITS, INVESTIGATIONS, AND INSPECTIONS RELATING TO THE PROGRAMS AND OPERATIONS OF DISTRICT GOVERNMENT DEPARTMENTS AND AGENCIES; (2) TO COORDINATE AND RECOMMEND POLICIES DESIGNED TO PROMOTE ECONOMY, EFFICIENCY, AND EFFECTIVENESS, AND TO PREVENT AND DETECT CORRUPTION AND MISMANAGEMENT IN DISTRICT PROGRAMS AND OPERATIONS; AND (3) TO

PROVIDE A MEANS OF KEEPING THE MAYOR, COUNCIL, AND DISTRICT GOVERNMENT DEPARTMENTS AND AGENCY HEADS INFORMED ABOUT PROBLEMS AND DEFICIENCIES RELATING TO THE ADMINISTRATION OF THESE PROGRAMS SO THAT CORRECTIVE ACTION MAY BE TAKEN WHEN NECESSARY.

PERFORMANCE MEASURES

THE TASK OF MEASURING THE IMPACT OF OUR EFFORTS REQUIRES CONSIDERATION OF TWO KEY INDICATORS: PERFORMANCE STATISTICS AND PERFORMANCE OUTCOMES. WITH REGARD TO STATISTICS, WE HAVE MEASURED OUR PERFORMANCE BASED ON TRADITIONAL INDICATORS RELATING TO “OUTPUTS.” THESE STATISTICS PERTAIN TO THE NUMBER OF REPORTS ISSUED, RECOMMENDATIONS MADE, CASES REFERRED, CASES CLOSED, AND CONVICTIONS OBTAINED. IN ADDITION, SOME STATISTICS RELATE TO “FISCAL IMPACT,” AND PERTAIN TO SAVINGS, RESTITUTION, RECOVERIES, AND ASSET SEIZURES.

WE RECOGNIZE THAT SOME OF OUR ACTIVITIES INVOLVE THE ACHIEVEMENT OF LONG-TERM, SYSTEMIC CHANGES IN THE DISTRICT GOVERNMENT THAT ARE NOT ALWAYS REFLECTED IN STATISTICS ALONE. FOR EXAMPLE, WE HAVE TAKEN SEVERAL INITIATIVES TO IMPROVE IMPLEMENTATION OF RECOMMENDATIONS SO THAT WE CAN BOLSTER EFFORTS TO HOLD OUR OWN OFFICE AND DISTRICT MANAGERS ACCOUNTABLE FOR MONITORING IMPACT, NOT JUST OUTPUTS. ALSO, TO ENHANCE ACCOUNTABILITY, WE HAVE ASSESSED THE ACCURACY AND RELIABILITY OF PERFORMANCE MEASUREMENTS ASSOCIATED WITH THE MAYOR’S “SCORECARD” AND FY 2000 PERFORMANCE CONTRACTS BETWEEN THE MAYOR AND AGENCY HEADS SO THAT DISTRICT LEADERS CAN KNOW THAT THE PERFORMANCE INDICATORS FOR PROVIDING VITAL SERVICES TO CITIZENS ARE, IN FACT, EFFECTIVE TOOLS. WE HAVE

CONTINUED TO ENCOURAGE GOVERNMENT TRANSPARENCY AND CITIZEN INVOLVEMENT BY POSTING OUR PUBLIC DOCUMENTS ON THE OFFICE WEBSITE (WWW.DCIG.ORG), AND BY PROVIDING GUIDANCE ABOUT WAYS THAT INDIVIDUALS CAN BEST SHARE INFORMATION WITH US ABOUT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT IN DISTRICT GOVERNMENT. WE ALSO CONTINUE TO DO ALL WE CAN TO ENSURE THAT PRESS REPORTS ON OUR FINDINGS AND RECOMMENDATIONS ARE PRESENTED ACCURATELY AND IN CONTEXT.

PRIORITY AREAS

WHILE STATUTORY MANDATES GOVERN THE CONDUCT OF MANY OF OUR ACTIVITIES, WE HAVE INCREASINGLY USED OUR DISCRETIONARY POWERS TO FOCUS OUR LIMITED RESOURCES ON ADDRESSING AREAS THAT WILL HAVE THE GREATEST IMPACT. SPECIFICALLY, WE HAVE ENGINEERED MOST ASPECTS OF OUR OPERATIONS TO DIRECTLY OR INDIRECTLY ADDRESS RISKS WHICH THREATEN TO TRIGGER THE RE-EMERGENCE OF BUDGET DEFICITS AND CONTINUED MANAGEMENT INEFFICIENCIES. THE RISKS INCLUDE PROCUREMENT AND CONTRACT ADMINISTRATION, MANAGEMENT CONTROLS, THE MEDICAID PROGRAM, EMPLOYEE FRAUD, AND DELIVERY OF KEY SERVICES TO CITIZENS. BEFORE DISCUSSING SPECIFIC DETAILS ABOUT OUR PERFORMANCE, I WOULD LIKE TO HIGHLIGHT JUST A FEW EXAMPLES, WHICH INDICATE THAT WE ARE MAKING AN IMPACT ON PRIORITY AREAS:

- IN THE AREA OF EMPLOYEE FRAUD, INDIVIDUALS CONVICTED AS A RESULT OF OIG INVESTIGATIONS WERE ORDERED TO PAY A TOTAL OF \$721,191.22 IN RESTITUTIONS, FINES, ASSESSMENTS, TAXES, AND PENALTIES. IN ADDITION, WE RECOUPED \$2,959,646.39 IN ASSET SEIZURES.

- IN THE FIRST CASE IN WHICH WE INVESTIGATED AND PROSECUTED PATIENT ABUSE WHERE MEDICAID FUNDS WERE INVOLVED, WE WORKED JOINTLY WITH THE UNITED STATES ATTORNEY’S OFFICE IN A CASE IN WHICH THE DEFENDANT WAS FOUND GUILTY OF BEATING A BLIND AND MENTALLY RETARDED RESIDENT OF A GROUP HOME. THE DEFENDANT WAS JAILED IMMEDIATELY AND IS NOW UNABLE TO HARM OTHER INNOCENT VICTIMS.
- OUR INSPECTORS HAVE MADE HUNDREDS OF RECOMMENDATIONS, ESPECIALLY IN THE AREA OF PROTECTING EMPLOYEES AND CITIZENS FROM HEALTH AND SAFETY VIOLATIONS. WORKING CLOSELY WITH AGENCIES THROUGHOUT THE INSPECTION PROCESS, WE HAVE REACHED AGREEMENT ON MORE THAN 95% OF THOSE RECOMMENDATIONS. FOR EXAMPLE, THE DISTRICT HOUSING AUTHORITY IS SECURING DISCARDED REFRIGERATORS THAT ARE ACCESSIBLE TO SMALL CHILDREN, AND THE DEPARTMENT OF PUBLIC WORKS IS IMPROVING THE RELIABILITY OF TRUCKS NEEDED TO REMOVE TRASH AND OTHER SOLID WASTE FROM NEIGHBORHOODS.
- OUR AUDIT WORK HAS PRODUCED POTENTIAL MONETARY BENEFITS OF \$30.4 MILLION. THESE BENEFITS COMPARE TO AUDIT DIVISION COSTS OF ABOUT \$2.8 MILLION. ACCORDINGLY, THE RETURN ON INVESTMENT FOR AUDITS PERFORMED BY OUR STAFF HAS BEEN APPROXIMATELY \$11 FOR EACH DOLLAR INVESTED.

TAKEN TOGETHER, THESE EFFORTS HAVE ENABLED ALL STAKEHOLDERS – DISTRICT LEADERS, THE PUBLIC, AND THIS OFFICE – TO PLAY A CONSTRUCTIVE AND MORE COHESIVE ROLE IN IMPROVING GOVERNMENT SERVICE TO THE NATION’S CAPITAL.

I WILL NOW DISCUSS THE SPECIFIC PERFORMANCE OF OUR FOUR DIVISIONS.

AUDIT DIVISION

AUDITS INCLUDE BOTH PERFORMANCE AND FINANCIAL AUDITS. PERFORMANCE AUDITS ARE SYSTEMATIC EVALUATIONS OF FUNCTIONS, PROGRAMS, AND ACTIVITIES. THE PURPOSES OF THESE AUDITS ARE TO IMPROVE ACCOUNTABILITY AND TO FACILITATE EFFECTIVE DECISION-MAKING. FINANCIAL AUDITS ASSESS WHETHER THE FINANCIAL STATEMENTS OF AN ENTITY FAIRLY PRESENT THE FINANCIAL POSITION OF THAT ENTITY IN CONFORMITY WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. IN ADDITION, THE AUDIT DIVISION OVERSEES CERTAIN AUDITS, PERFORMED BY CONTRACT, OF DISTRICT GOVERNMENT AGENCIES, PROGRAMS, AND OPERATIONS, SUCH AS THE COMPREHENSIVE ANNUAL FINANCIAL REPORT.

AUDIT PERFORMANCE MEASURES

WITH REGARD TO OUR AUDIT PERFORMANCE AND PRODUCTIVITY STANDARDS, WE CURRENTLY REPORT ON THE NUMBER OF REPORTS ISSUED, DISTRICT AGENCY COVERAGE, AND THE ASSOCIATED POTENTIAL MONETARY BENEFITS FOR THE AUDIT REPORTS ISSUED. WE DEVELOPED AN AUDIT RECOMMENDATION TRACKING SYSTEM SO THAT WE CAN TRACK THE PROGRESS OF CORRECTIVE ACTIONS. THE COMPTROLLER GENERAL'S GOVERNMENT AUDITING STANDARDS EMPHASIZE THE IMPORTANCE OF FOLLOW-UP ON SIGNIFICANT FINDINGS AND RECOMMENDATIONS FROM PRIOR AUDITS TO DETERMINE IF CORRECTIVE ACTIONS HAVE BEEN IMPLEMENTED. AUDIT RECOMMENDATIONS DO NOT PRODUCE THE DESIRED OUTCOMES UNLESS THEY ARE IMPLEMENTED. IN THIS REGARD, WE HAVE ADDED A PERFORMANCE STANDARD TO

MEASURE THE PERCENTAGE OF AUDIT RECOMMENDATIONS IMPLEMENTED. WE STRONGLY BELIEVE THAT THIS WILL BE A VALID MEASURE OF OUR WORTH BECAUSE IT IS AN OUTCOME MEASURE. MOREOVER, WE WILL CONTINUE TO WORK TOWARD PROCESS IMPROVEMENTS IN MEASURING OUR PRODUCTIVITY AND PERFORMANCE.

IN ORDER TO ASSESS THE ACTIONS TAKEN BY AGENCY MANAGEMENT IN RESPONSE TO PREVIOUSLY REPORTED DEFICIENCIES AND TO DETERMINE THE EXTENT TO WHICH AGENCIES ARE COMPLYING WITH AUDIT RECOMMENDATIONS, THE OIG CONDUCTED A DISTRICT-WIDE AUDIT OF AGENCIES' IMPLEMENTATION OF RECOMMENDATIONS FROM PREVIOUS AUDIT REPORTS.

THE SCOPE OF THE AUDIT INCLUDED 58 AUDIT REPORTS ISSUED TO 18 DISTRICT GOVERNMENT AGENCIES DURING THE 3-YEAR PERIOD (FISCAL YEARS 1998 – 2000). THE REPORTS INCLUDED, IN TOTAL, APPROXIMATELY 400 AUDIT RECOMMENDATIONS.

THE RESULTS OF THIS AUDIT WILL BE USED TO ESTABLISH A PERFORMANCE BASELINE. WE EXPECT THIS REPORT TO BE PUBLISHED THIS MONTH. BASED ON PRELIMINARY INFORMATION FROM OUR AUDIT WORK, WE ESTIMATE THAT ABOUT 80 PERCENT OF OUR REPORT RECOMMENDATIONS WERE SUCCESSFULLY IMPLEMENTED BY DISTRICT AGENCY MANAGEMENT.

FOR FY 2001, WE ISSUED 37 REPORTS WITH POTENTIAL MONETARY BENEFITS OF \$30.4 MILLION.¹ THESE BENEFITS COMPARE TO AUDIT DIVISION COSTS OF ABOUT \$2.8 MILLION. ACCORDINGLY, THE RETURN ON INVESTMENT FOR AUDITS PERFORMED BY OIG AUDIT STAFF HAS BEEN

¹ These reports include audit reports, management implication reports, and management alert reports.

APPROXIMATELY \$11 FOR EACH DOLLAR INVESTED. OUR FY 2001 AUDITS INCLUDED COVERAGE AT 17 DISTRICT AGENCIES FOCUSING ON A BROAD RANGE OF ISSUES. BRIEFLY, OUR AUDITS ADDRESSED SUCH ISSUES AS THE MENTAL RETARDATION PROGRAM, THE PUBLIC SCHOOL SPECIAL EDUCATION PROGRAM, INFORMATION TECHNOLOGY CONTROLS, JOB TRAINING PROGRAMS, AND THE MAYOR'S SCORECARD ON PERFORMANCE MEASURES. AUDITS PERFORMED IN THE RESPECTIVE DISTRICT AGENCIES FOR FY 2001 INCLUDE THE FOLLOWING:

- D.C. PUBLIC SCHOOLS
- DEPARTMENT OF EMPLOYMENT SERVICES
- DEPARTMENT OF HUMAN SERVICES
- DEPARTMENT OF PUBLIC WORKS
- D.C. GENERAL HOSPITAL
- DEPARTMENT OF CORRECTIONS
- D.C. FIRE DEPARTMENT
- WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION
- OFFICE OF GRANTS MANAGEMENT AND DEVELOPMENT
- WATER AND SEWER AUTHORITY
- MULTI-AGENCY
- DEPARTMENT OF HEALTH
- DEPARTMENT OF PUBLIC WORKS
- DEPARTMENT OF MOTOR VEHICLES
- METROPOLITAN POLICE DEPARTMENT
- OFFICE OF THE CHIEF TECHNOLOGY OFFICER
- OFFICE OF TAX AND REVENUE
- OFFICE OF THE CHIEF FINANCIAL OFFICER

AUDIT PEER REVIEW

IN APRIL 2000, WHEN THE OFFICE OF THE INSPECTOR GENERAL POWERS AND DUTIES AMENDMENT ACT OF 1999 (D.C. LAW 13-71) BECAME EFFECTIVE, THE OIG'S ENABLING STATUTE WAS AMENDED TO REFLECT THE REQUIREMENT THAT THE OIG FOLLOW GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS WITH REGARD TO THE PERFORMANCE OF A PEER REVIEW. A PEER REVIEW IS GENERALLY CONDUCTED BY INDIVIDUALS IN A SIMILARLY-SITUATED PROFESSIONAL ENVIRONMENT. TO ACCOMPLISH MANDATORY PEER REVIEWS OF FEDERAL INSPECTORS GENERAL, THE PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY (PCIE) PROVIDES FOR EACH OF THE IG AUDIT ORGANIZATIONS (FEDERAL AUDIT EXECUTIVE COMMITTEE) TO HAVE A ROUND-ROBIN OF PEER REVIEWS EVERY 3 YEARS.

TO MEET THE DISTRICT'S REGULATORY REQUIREMENT, THE OIG HAS JOINED THE NATIONAL ASSOCIATION OF LOCAL GOVERNMENT AUDITORS (NALGA). GOVERNMENT AUDITING STANDARDS, 1994 REVISION, IDENTIFIES NALGA AS ONE OF THE PROFESSIONAL ORGANIZATIONS THAT MEETS THE REQUIREMENTS FOR PERFORMING OUR EXTERNAL QUALITY CONTROL REVIEW (PEER REVIEW). WE HAVE SCHEDULED OUR FIRST PEER REVIEW TO BE PERFORMED DURING THE SECOND QUARTER OF FY 2003. A PEER REVIEW OF THE OIG'S AUDIT FUNCTION WILL THEN BE PERFORMED EVERY 3 YEARS.

IN ORDER TO PREPARE THE AUDIT DIVISION FOR THIS REVIEW AND TO ENSURE CONTINUED PROCESS IMPROVEMENT, THE AIGA HAS ESTABLISHED A QUALITY CONTROL UNIT WITHIN THE TECHNICAL DIRECTORATE TO ASSIST IN THE PERFORMANCE OF INDEPENDENT REFERENCING OF AUDIT WORKPAPERS, PERFORM QUALITY ASSURANCE REVIEWS OF PROCESSES WITHIN THE AUDIT DIVISION, AND ENSURE

COMPLIANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS, OIG POLICY, AND OIG AUDIT DIVISION POLICIES AND PROCEDURES. THE RESULTS OF THESE REVIEWS WILL SERVE AS LESSONS LEARNED AND WILL IDENTIFY WHERE IMPROVEMENTS CAN BE MADE TO IMPROVE THE QUALITY OF DOCUMENTATION SUPPORTING AUDIT PRODUCTS AND PROCESSES.

STATUS OF ACTIVITIES

THUS FAR IN FY 2002, WE HAVE ISSUED 6 FINAL AUDIT REPORTS AND 2 MANAGEMENT ALERT REPORTS. WE HAVE 26 AUDITS IN PROCESS, INCLUDING 4 AUDITS THAT HAVE DRAFT REPORTS OUT FOR COMMENT. FOR OUR FY 2002 WORK, 11 AUDITS HAVE BEEN REQUESTED BY THE CITY COUNCIL, OFFICE OF THE MAYOR, AND OTHER STAKEHOLDERS. IN ADDITION, 8 AUDITS ARE REQUIRED BY LAW.

INSPECTIONS AND EVALUATIONS DIVISION

OUR INSPECTIONS AND EVALUATIONS DIVISION HAS COMPLETED AN INSPECTION OF A DISTRICT AGENCY APPROXIMATELY EVERY FOUR MONTHS SINCE ITS CREATION IN MAY 1999. AS I HAVE NOTED IN PREVIOUS APPEARANCES BEFORE YOU, WE NOW HAVE THE CAPABILITY TO CONDUCT BROADSCALE ASSESSMENTS OF AGENCIES WITH CRITICAL SERVICE DELIVERY RESPONSIBILITIES. SINCE MY LAST REPORT ON OUR PERFORMANCE, THE DIVISION HAS COMPLETED INSPECTIONS OF THE FLEET MANAGEMENT AND PARKING SERVICES ADMINISTRATIONS IN THE DEPARTMENT OF PUBLIC WORKS, AND THE DEPARTMENT OF PARKS AND RECREATION. CURRENT INSPECTIONS OF THE DEPARTMENT OF CORRECTIONS CENTRAL DETENTION FACILITY, THE DEPARTMENT OF HEALTH AND THE DEPARTMENT OF FIRE AND MEDICAL SERVICES INSPECTIONS WILL BE COMPLETED WITHIN THE NEXT SEVERAL MONTHS.

EACH OF OUR INSPECTIONS HAS HELPED AGENCY HEADS IDENTIFY AND SEEK SOLUTIONS TO OPERATIONAL AND ADMINISTRATIVE PROBLEMS THAT HAVE KEPT THEM FROM FUNCTIONING AT THE FULL-PERFORMANCE LEVEL DESIRED BY YOU, THE MAYOR, AND OTHER STAKEHOLDERS.

STATUS OF ACTIVITIES

THE INSPECTIONS AND EVALUATIONS (I&E) DIVISION ISSUED FOUR INSPECTION REPORTS IN FY 2001. THESE REPORTS CONTAIN A TOTAL OF 195 FINDINGS AND 307 RECOMMENDATIONS. RECOMMENDATIONS WERE MADE TO AGENCY AND DEPARTMENT HEADS THAT REQUIRED CORRECTIVE MEASURES TO IMPROVE OPERATIONS, ADDRESS DEFICIENCIES, AND ENSURE THAT DISTRICT LAWS, REGULATIONS, AND POLICIES ARE ADHERED TO. IN ADDITION, FOUR MANAGEMENT ALERT REPORTS WERE ISSUED TO AGENCY HEADS POINTING OUT SIGNIFICANT PROBLEMS THAT IN OUR VIEW REQUIRED IMMEDIATE ATTENTION. ALL INSPECTED AGENCIES HAVE AGREED IN WRITING TO COMPLY WITH OUR RECOMMENDATIONS.

SO FAR IN FY 2002 WE HAVE ISSUED ONE DRAFT INSPECTION REPORT AND FOUR MANAGEMENT ALERT REPORTS. THE DIVISION IS CONTINUOUSLY FOLLOWING UP ON PREVIOUS INSPECTIONS IT HAS CONDUCTED. THIS CALENDER YEAR, WE PLAN TO DO FOLLOW-UP INSPECTIONS OF THE OFFICE OF THE INSPECTOR GENERAL, THE DEPARTMENT OF MOTOR VEHICLES, THE VEHICLE INSPECTION STATION, AND THE MEDICAL ASSISTANCE ADMINISTRATION (THE CITY'S MEDICAID AGENCY) TO DETERMINE AGENCY COMPLIANCE WITH AGREED-UPON RECOMMENDATIONS.

PERFORMANCE MEASURES

WE HAVE DETERMINED THAT THE COST OF OUR INSPECTIONS IS CONSIDERABLY LESS THAN FEES CHARGED BY OUTSIDE CONTRACTORS FOR SIMILAR WORK. FOR EXAMPLE, THE COST FOR THE FOUR PROJECTS COMPLETED IN FY 2001 TOTALED \$447,415. THE COST TO THE CITY FOR A CONTRACTOR TO PERFORM COMPARABLE MANAGEMENT STUDIES WOULD BE APPROXIMATELY \$1,400,000.

EVEN MORE IMPORTANT, OUR DETAILED INSPECTIONS AND EVALUATIONS GIVE AN AGENCY'S MANAGEMENT A BLUEPRINT FOR IMPROVING THOSE OPERATIONS THAT ARE KEY TO EFFICIENCY AND COST EFFECTIVENESS, AND ESSENTIAL FOR GOOD SERVICE DELIVERY TO DISTRICT CITIZENS. FINALLY, WE KNOW THAT OUR RECOMMENDATIONS ARE RELEVANT AND APPROPRIATE BECAUSE AGENCY HEADS HAVE AGREED TO COMPLY WITH APPROXIMATELY 95% OF THE 307 RECOMMENDATIONS WE MADE TO THEM IN FY 2001. AS INDICATED, WE WILL BE MONITORING AGENCIES TO MEASURE COMPLIANCE TO THESE RECOMMENDATIONS.

IN FY 2002, THE I&E DIVISION PLANS TO COMPLETE SEVEN INSPECTIONS AND THREE FOLLOW-UP INSPECTIONS.

INVESTIGATIONS DIVISION

I WILL ADDRESS THE PERFORMANCE MEASURES FOR THE INVESTIGATIONS DIVISION NEXT. WITH RESPECT TO THE PERFORMANCE MEASURE OF INVESTIGATIONS OPENED, THE FY 2002 FIRST QUARTER STATISTICAL DATA IDENTIFIES A NEW AND UNEXPECTED TREND. IN FY 2000 THE OIG OPENED 193 NEW INVESTIGATIONS. IN FY 2001 THAT NUMBER DECREASED SLIGHTLY TO 182. FOR THE FIRST QUARTER OF

2002, HOWEVER, THERE WERE 57 NEW CASES OPENED - 28 PERCENT ABOVE OUR TARGET LEVEL OF 44 NEW CASES. IF THIS NUMBER HOLDS TRUE FOR THE ENTIRE FY, THERE WILL BE A DRAMATIC 25 PERCENT INCREASE IN NEW CASES OPENED. THE INVESTIGATIONS DIVISION ONLY OPENS NEW INVESTIGATIONS WHEN THERE IS A CREDIBLE ALLEGATION OF MISCONDUCT OR ILLEGALITY. THE INCREASE IN NEW CASES REFLECTS AN INCREASE IN SIGNIFICANT COMPLAINTS BROUGHT TO OUR ATTENTION. ON THE POSITIVE SIDE, THIS SUGGESTS THAT OUR REFERRAL SYSTEM IS WORKING. BUT IT ALSO FORWARNS US OF THE NECESSITY FOR A STRONG AND VIGILANT OIG.

WITH RESPECT TO OUR TWO OTHER PERFORMANCE MEASURES - INVESTIGATIONS CLOSED AND REPORTS PREPARED - THERE HAS BEEN A REDUCTION IN THE ACTUAL NUMBERS OVER THE PAST FY AND FOR THE FIRST QUARTER OF 2002. WE CLOSED 36 INVESTIGATIONS DURING THE QUARTER – 23 PERCENT BELOW OUR TARGET OF 45 CLOSED CASES. WE PREPARED 10 INVESTIGATIVE REPORTS – WELL BELOW OUR TARGET OF 29 REPORTS. THESE DECREASES ARE IN LINE WITH THE STATISTICAL DATA FOR FY 2000 AND 2001. DURING THESE TWO FYs, THE NUMBER OF INVESTIGATIONS CLOSED DECREASED FROM 169 TO 159, AND THE NUMBER OF REPORTS PREPARED DECREASED FROM 87 TO 46. THESE REDUCED NUMBERS ARE A DIRECT REFLECTION OF THE PRIORITIZATION OF OUR WORK WHEREBY WE HAVE CONCENTRATED OUR INVESTIGATIVE EFFORTS ON THE MAYOR’S FUNDRAISING INVESTIGATION. CONSEQUENTLY, THESE REDUCED NUMBERS REFLECT AN ANOMOLY, NOT A TREND.

**IMPACT OF THE FUNDRAISING INVESTIGATION ON OUR
INVESTIGATIONS DIVISION**

WHILE I UNDERSTOOD THAT DEVOTING MOST OF THE DIVISION'S RESOURCES TO THE FUNDRAISING INVESTIGATION WOULD EVENTUALLY CAUSE A DOWNTURN IN OUR PERFORMANCE STATISTICS, I DECIDED TO DO SO IN THE FIRST FEW MONTHS BECAUSE I RECEIVED REFERRALS IN FEBRUARY 2001 FROM THE MAYOR AND FROM COUNCIL MEMBERS REQUESTING ME TO INVESTIGATE ALLEGATIONS OF MISCONDUCT CONCERNING A WIDE RANGE OF ACTIVITIES. IN PARTICULAR, THE REFERRALS FROM CERTAIN COUNCIL MEMBERS ASKED ME TO INVESTIGATE THE ACTIVITIES OF A NUMBER OF PRIVATE ENTITIES AND TO ANSWER A LONG LIST OF QUESTIONS ABOUT THE RELATIONSHIP BETWEEN THE EOM AND THOSE ENTITIES. IN ADDITION, THESE REQUESTS COINCIDED WITH MEDIA REPORTS WHICH IDENTIFIED POSSIBLE SYSTEMIC PROBLEMS WITHIN THE EOM THAT NEEDED TO BE FULLY EXPLORED.

I POSTPONED ALL BUT THE MOST SIGNIFICANT WORK IN FAVOR OF THE FUNDRAISING INVESTIGATION AS WE ALL AGREED THAT MY OFFICE SHOULD COMPLETE THE INVESTIGATION AS SOON AS POSSIBLE. I HAVE MAINTAINED THAT COMMITMENT. AS I HAVE STATED IN PUBLIC TESTIMONY BEFORE, ONCE THE REPORT IS ISSUED, I WILL BE ABLE TO PROVIDE TO THE COUNCIL DETAILED INFORMATION ABOUT THE INVESTIGATIVE PROCESS AND THE IMPEDIMENTS THAT WE HAVE HAD TO OVERCOME TO COMPLETE THE INVESTIGATION.

THE INVESTIGATION BEGAN HALF WAY THROUGH FY 2001 AND HAS EXTENDED THROUGH THE FIRST QUARTER OF FY 2002. I EXPECT TO SEE AN EQUIVALENT REDUCTION IN THE PERFORMANCE MEASURES FOR THE SECOND QUARTER OF THIS FY AS WELL. I EXPECT THE THIRD AND FOURTH QUARTERS OF FY 2002 TO MORE ACCURATELY REFLECT THE WORK OF OUR INVESTIGATIONS DIVISION WITH STATISTICAL DATA ON OUR PERFORMANCE MEASURES BACK IN LINE WITH OUR TARGET GOALS.

I SHOULD NOTE THAT, ONCE MUCH OF THE FIELD WORK WAS COMPLETED, I REACTIVATED SOME OF OUR INVESTIGATORS TO CONTINUE OTHER WORK. AS A RESULT, FROM FEBRUARY 2001 THROUGH FEBRUARY 2002, THE INVESTIGATIONS DIVISION OBTAINED 7 CRIMINAL CONVICTIONS AND PRODUCED 3 MANAGEMENT IMPLICATION REPORTS, 4 MANAGEMENT ALERT REPORTS AND 22 REPORTS OF INVESTIGATION. THEY ALSO OPENED 140 NEW CASES AND CLOSED AN ADDITIONAL 100 CASES.

MEDICAID FRAUD CONTROL UNIT

THE MEDICAID FRAUD CONTROL UNIT (MFCU) IS THE NEWEST OF THE FOUR DIVISIONS WITHIN THE OIG. THE UNIT RECEIVED ITS CERTIFICATION BY THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES IN THE MIDDLE OF FY2000, AND FY2001 WAS THE FIRST YEAR IN WHICH THE UNIT WAS FULLY STAFFED AND OPERATIONAL. THIS YEAR WAS MARKED BY A CONTINUATION OF THE UNIT'S EFFORTS TO BUILD A FIRM FOUNDATION FOR CONTINUED SUCCESS. THE STAFF WAS ORGANIZED IN A STRIKE FORCE MANNER—ATTORNEYS LEADING TEAMS OF PROFESSIONALS INCLUDING INVESTIGATORS AND/OR AUDITORS. FRAUD AND ABUSE CAN BE PURSUED BY THE UNIT UTILIZING ANY COMBINATION OF CRIMINAL, CIVIL OR ADMINISTRATIVE OPTIONS, DEPENDING ON THE FACTS OF ANY PARTICULAR CASE. FURTHERMORE, CONSIDERABLE EFFORTS WERE MADE TO ESTABLISH LIAISON WITH OTHER DISTRICT AND FEDERAL AGENCIES, THE HEALTH CARE INDUSTRY AND THE PUBLIC AT LARGE. IN ADDITION, A SOLID FOUNDATION WAS ALSO LAID IN A MORE PHYSICAL SENSE, IN THAT NEW PERMANENT OFFICE SPACE WAS OCCUPIED AND CONFIGURED TO MEET THE NEEDS OF THE UNIT.

ONE KEY ASPECT OF THE FIGHT AGAINST MEDICAID FRAUD AND ABUSE IS RELEVANT LEGISLATION. SEVERAL RECENTLY ENACTED LAWS HAVE HAD AN IMPACT ON THE UNIT'S PERFORMANCE.

WITHOUT A DOUBT THE MOST SIGNIFICANT LEGISLATIVE IMPACT WAS CREATED BY THE MANDATORY AUTOPSY FOR DECEASED WARDS OF THE DISTRICT OF COLUMBIA AND MANDATORY UNUSUAL INCIDENT REPORT TEMPORARY ACT OF 1999. THIS LAW REQUIRED ANY PERSON WHO OPERATES A NURSING HOME, COMMUNITY RESIDENCE FACILITY OR GROUP HOME FOR PERSONS WITH MENTAL RETARDATION TO IMMEDIATELY NOTIFY THE DEPARTMENT OF HEALTH AND THE INSPECTOR GENERAL OF ANY "UNUSUAL INCIDENT".

AN UNUSUAL INCIDENT IS DEFINED VERY BROADLY AND ENCOMPASSES ANY INCIDENT THAT RESULTS IN INJURY OR ILLNESS TO A WARD OR RESIDENT. FURTHERMORE, THE INSPECTOR GENERAL IS MANDATED TO TAKE ACTION TO INVESTIGATE THE REPORT WITHIN 72 HOURS OF RECEIPT. THIS INNOVATIVE AND COMPASSIONATE LAW HAS SENT A VERY CLEAR MESSAGE THAT ABUSE AND NEGLECT OF VULNERABLE ADULTS WILL NOT BE TOLERATED IN OUR CITY. FURTHERMORE IT HAS PUT THE DISTRICT IN THE VANGUARD IN THE FIGHT AGAINST SUCH ABUSE NATIONWIDE. IT HAS ALSO MESHED VERY WELL WITH THE GUARDIAN ANGEL PROJECT (GAP), WHICH IS OUR UNIT'S COMPREHENSIVE EFFORT TO DETECT, DETER AND PUNISH SUCH ABUSE AND NEGLECT. AS PART OF GAP, OUR STAFF DOES A CONSIDERABLE AMOUNT OF OUTREACH TO THE INDUSTRY. THE OUTREACH INCLUDES EDUCATION ABOUT THIS LAW, ITS PROTECTIVE INTENT, AND ITS MANDATE TO INFORM THE OIG ABOUT ALL UNUSUAL INCIDENTS.

UNFORTUNATELY, THIS LAW HAS ALSO HAD SOME UNINTENDED CONSEQUENCES, THE MOST IMPORTANT BEING THE SHEER NUMBER OF REPORTS WE HAVE RECEIVED. FOR FY 2001 WE HAD PROJECTED

RECEIVING 600 OF THESE REPORTS. INSTEAD WE RECEIVED OVER 2800. AS NOTED PREVIOUSLY, EACH ONE OF THESE REPORTS MUST BE CAREFULLY REVIEWED FOR INVESTIGATIVE POTENTIAL. OBVIOUSLY THIS QUANTITY OF REPORTS REPRESENTS A SIGNIFICANT AND UNEXPECTED EXPENDITURE OF UNIT RESOURCES.

HOWEVER, EFFORTS ARE UNDERWAY TO HELP RECTIFY THIS SITUATION. FIRST, I'M VERY APPRECIATIVE THAT YOU HAVE ADDED AN ADDITIONAL FTE TO THE UNIT FOR THIS FISCAL YEAR. A NEW INVESTIGATOR HAS ALREADY MOVED INTO THIS POSITION AND SHOULD BE ABLE TO HELP GREATLY WITH THIS FLOOD OF REPORTS. FURTHERMORE, AS THE DIRECTOR OF THE UNIT, SIDNEY ROCKE, TESTIFIED BEFORE THE PUBLIC ROUNDTABLE ON THE PRESENT VERSION OF THIS LEGISLATION, IMPLEMENTATION OF THE ACT CAN BE ADJUSTED SO THAT IT DOES NOT SWEEP UP VIRTUALLY EVERY MEDICAL INCIDENT IN EVERY NURSING HOME IN THE DISTRICT. CHAIRPERSON ALLEN INDICATED A WILLINGNESS TO EXPLORE REVISION OF THE BROAD LEGISLATIVE LANGUAGE, AND AS MR. ROCKE TESTIFIED, EFFORTS ARE ALREADY UNDERWAY TO WORK WITH DEPARTMENT OF HEALTH, DEPARTMENT OF HUMAN SERVICES AND THE INDUSTRY TO MAKE THE PROCESS LESS BURDENSOME FOR ALL CONCERNED. THE KEY WILL BE FINDING THE PROPER BALANCE BETWEEN KEEPING US INFORMED OF ALL TRULY SIGNIFICANT INCIDENTS AND WASTING RESOURCES ON TRIVIAL OR ROUTINE OCCURRENCES.

MOREOVER, FY 2001 WAS A VERY SUCCESSFUL YEAR FOR THE UNIT IN TERMS OF COMBATING FRAUD AGAINST THE MEDICAID PROGRAM. WE INITIATED 22 NEW FRAUD CASES AND WE ARE CURRENTLY ON A PACE TO INCREASE THAT NUMBER IN FY 2002. WE ALSO RECOVERED OVER \$353,000 AND EXPECT TO SIGNIFICANTLY EXCEED THAT FIGURE IN FY 2002. I BELIEVE THESE FRAUD RECOVERIES ARE QUITE REMARKABLE IN

SEVERAL RESPECTS. FIRST, SINCE THE FEDERAL GOVERNMENT PROVIDES 75% OF THE UNIT'S BUDGET IN MATCHING FUNDS, THE DISTRICT'S LIMITED CONTRIBUTION IS AN EXCELLENT LEVERAGED INVESTMENT. SECOND, THIS PRODUCTIVITY WAS ACHIEVED DESPITE THE FACT THAT THE MEDICAL ASSISTANCE ADMINISTRATION'S SURVEILLANCE AND REVIEW SECTION, WHICH IS INTENDED TO DETECT FRAUD IN THE MEDICAID PROGRAM AND OTHERWISE SUPPORT THE MFCU, IS STILL IN A REBUILDING PHASE. FURTHERMORE, THE UNIT WROTE FOUR MANAGEMENT REPORTS ADDRESSING SYSTEMIC WEAKNESSES IN THE MEDICAID PROGRAM.

WE BELIEVE THAT PLUGGING GAPS AND WEAKNESSES IN THE PROGRAM WILL YIELD SIGNIFICANT BENEFITS TO THE DISTRICT, ALTHOUGH THESE BENEFITS MAY NOT ALWAYS BE EASY TO MEASURE STATISTICALLY. IN SHORT, I BELIEVE THE MFCU HAS DONE REMARKABLY WELL AS A NEWLY ESTABLISHED UNIT, AND HAS YET TO REACH ITS FULL POTENTIAL.

AT THIS TIME, MY STAFF AND I WILL ANSWER QUESTIONS.